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Report of the Secretary-General on the United Nations Interim Administration Mission in Kosovo

Introduction

1. The present report is submitted pursuant to Security Council resolution 1244 (1999) by which the Council decided to establish the United Nations Interim Administration Mission in Kosovo (UNMIK) and requested the Secretary-General to report at regular intervals on the implementation of the mandate. It covers the activities of UNMIK and developments in Kosovo (Serbia), from 1 June to 31 August 2007.

Kosovo future status process

2. On 1 August, I issued a statement welcoming the Contact Group's agreement on modalities for further negotiations between Belgrade and Pristina during a new period of engagement. This effort is being led by a "Troika", comprising representatives of the European Union, the Russian Federation and the United States of America. The United Nations has been providing support to the Troika's mediation effort. On 30 August, the Troika held proximity talks in Vienna with delegations representing Serbia and Kosovo. Prior to those talks, the Troika held its first meeting with the Serbian Government on 10 August and with the Kosovo Unity Team on 11 and 12 August. I look forward to the Contact Group reporting to me on the results of the period of engagement by 10 December.

Political situation

3. During the reporting period, the overriding political focus in Kosovo was on the deliberations on a new resolution in the Security Council. The Kosovo Albanian community and its leadership expressed disappointment when the Council failed to adopt a new resolution. As a result, the Unity Team came under increasing pressure for not having achieved results on the independence of Kosovo. Following the launch of the Troika-led negotiations, the Unity Team presented to the Assembly of Kosovo seven principles for its participation in those negotiations.

4. While the ongoing status negotiations continue to be at the centre of the political process in Kosovo, political parties and the population as a whole have become increasingly focused on elections. The current mandates of the Assembly of

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Kosovo and the municipal assemblies expire in November and December respectively, which requires that elections be held. After careful consideration and consultations with relevant stakeholders in Kosovo and with representatives of the international community and the Organization for Security and Cooperation in Europe (OSCE) in Pristina, on 16 August my Special Representative, Joachim Rücker, authorized the start of the technical preparations for elections by the Kosovo Central Election Commission. The elections will be held on 17 November. On 29 August, three key regulations for holding elections were promulgated. The Commission has adopted rules specifying legal, financial and technical requirements for the certification process. Political entities had until 12 September to comply with the regulations. My Special Representative has secured agreement with the members of the Unity Team that they will remain united and engage constructively and in good faith in the Troika-led talks, notwithstanding the upcoming elections. Should it become evident that the election process could delay the status determination process in general or the Troika-led negotiations in particular, my Special Representative retains executive authority to postpone the date of the elections.

5. The parties in the Unity Team remain committed to the Comprehensive Proposal for the Kosovo Status Settlement (see S/2007/168/Add.1) and have called for the accelerated adoption of legislation in accordance with annex XII to the settlement proposal. The legislative agenda, which is in the preparatory stage, is a priority for the Government; it does not prejudge the future status of Kosovo and is in accordance with resolution 1244 (1999). There are indications, however, that the commitment of the Provisional Institutions of Self-Government to the legislative agenda may come into question should there be a lack of progress on the determination of the future status of Kosovo following the elections on 17 November.

6. The participation of Kosovo Serbs in the political process and in the Provisional Institutions at the central level remains minimal. Kosovo Serb leaders remain divided and are unable to agree whether to take a more active part in the Provisional Institutions. Despite a willingness by the Prime Minister of Kosovo to appoint a Kosovo Serb as Minister of Agriculture, a post reserved for Kosovo Serbs that has remained vacant since late 2004, no Kosovo Serb has been appointed to this position because Kosovo Serb political leaders have failed to agree on a candidate.

7. The status determination process continues to polarize the Kosovo Serb political community into those who see a future in working with the international community and the Provisional Institutions and those who do not. The Serb National Council North announced its intention to boycott the upcoming elections, while the Serb List for Kosovo and Metohija has expressed its hope that it will be able to participate in the elections. A promising sign is the emergence of a number of new Kosovo Serb parties that favour participation in the political process, including in the elections.

Security

8. The overall security situation during the reporting period remained calm on the surface, with relatively few protests and a decreased number of violent incidents. Nevertheless, there remains a discernible underlying volatility in Kosovo, which has been accentuated by disappointment expressed by the people of Kosovo at the

prolongation of the Kosovo future status process. Both the Kosovo Albanian self-determination movement, Vetëvendosje, and the War Veterans Association reacted angrily at this prolongation, with warnings of "war" should the Troika-led negotiations result in the partition of Kosovo or the return of Serbian forces. However, this disappointment did not spark any violent reaction from extremist groups.

9. Only two politically motivated demonstrations were held during the reporting period. On 30 June, a Vetëvendosje rally against the status process was attended by about 400 people in Pristina. This was the third such rally to be held peacefully since two protesters were fatally wounded by UNMIK police during a Vetëvendosje demonstration on 10 February. On 28 June, the annual Vidovdan celebrations were held, during which the Serb National Council organized a rally of Serbs against the independence of Kosovo. Attendance was lower than in the past, and there were no significant security incidents. Other minor demonstrations took place throughout Kosovo during the reporting period to protest difficult living conditions, notably in connection with water shortages and eviction orders; there were no major security incidents.

10. The explosion on 27 July of a booby-trapped hand grenade on the roadside as a minibus with nine Kosovo Albanian passengers passed by was a sign of the volatility of the security situation. The attack, which occurred 9 kilometres south-east of the Serb-majority municipality of Leposaviq/Leposavić in northern Kosovo, did not cause any injuries to the passengers. However, it exposed the vulnerability of those living in minority communities across Kosovo. Meanwhile, the insecurity in areas near the administrative boundary line was underscored by two serious shooting incidents in the majority-Albanian Preševo Valley area of southern Serbia in early August. In one of the incidents, one person was killed when Serbian police reportedly exchanged fire with uniformed gunmen near the administrative boundary line.

11. While the number and gravity of ethnically motivated incidents remained relatively low, incidents of violence and vandalism targeting cultural and religious sites continued, especially in ethnically mixed areas. Further signs of simmering tensions were evidenced by several cases of assault on ethnic-minority Kosovo Police Service officers. Significant arms caches, one of them reportedly connected to the illegal Albanian National Army were also discovered.

Rule of law

12. On 18 August, seven inmates, some with convictions for terrorism and murder, escaped from detention in Dubrava prison. One inmate allegedly fired two shots inside the prison and unknown suspects fired automatic weapons outside the facility to cover the escape. Rocket-propelled grenades were later found outside the prison walls. Although prison management has been turned over to the Kosovo Correctional Service of the Ministry of Justice, the Penal Management Division retains an executive mandate over the prison in case of emergency, and therefore took control of the facility soon after the incident. Operational control has since reverted to the Kosovo Correctional Service. The Kosovo Police Service is conducting criminal investigations, an enquiry into procedural aspects of the incident is planned, and neighbouring jurisdictions have been alerted. Five Kosovo

Correctional Service officers and one civilian have been arrested in relation to the incident thus far; however, all seven prisoners remain at large. UNMIK has secured provisional agreement for a group of Swiss correctional experts with previous experience in Kosovo to conduct an independent inquiry into the escape.

13. On 29 June, the Special Prosecutor appointed by my Special Representative to investigate the deaths and serious wounding of protesters during the Vetëvendosje demonstration on 10 February presented his second report, which included seven conclusions and recommendations. They focused on standards for the use of force, questions involving the ammunition used in the incident, issues of command and supervision and issues surrounding the authorization to deploy rubber bullets. The Special Prosecutor recommended a thorough review of the use of rubber bullets in United Nations peacekeeping missions. As a result, the UNMIK Police Commissioner banned the use of rubber bullets in Kosovo and ordered all such munitions to be removed from the armaments of the UNMIK police. Supplemental reports may be issued as new information comes to light.

Standards and European integration

14. Progress in all substantive areas of standards implementation has been steady, as reflected in the technical assessment annexed to the present report (see annex I). The standards process continues to be advanced in conjunction with, and mainly through, the European Partnership for Kosovo and its action plan, which is expected to evolve further into a European-led process in the future.

Economy

15. According to the latest statistics available, following a year of stagnation, real growth of gross domestic product (GDP) in Kosovo reached a rate of about 3 per cent in 2006. This modest improvement occurred despite a decrease in foreign donations. Hence, while GDP still largely depends on foreign inflows, its recent growth is attributed mostly to the growth of the domestic private sector. Nevertheless, the economic situation remains dire, and Kosovo continues to face significant challenges. The modest gains in growth were not sufficient to curb the high unemployment rate, which continues to be the most alarming symptom of weak economic performance in Kosovo. Economic development is still constrained by interruptions in the electricity supply, a lack of capacity of public institutions and a lack of adequate skills in the labour market. Despite the growth in exports recorded in 2006, Kosovo still has the lowest proportion of exports to imports in Europe. On 26 July, the Central European Free Trade Agreement entered into force between five of its signatory parties, including UNMIK on behalf of Kosovo. Revenue collection by the UNMIK customs service in the first half of 2007 increased by 20 per cent compared with the same period in 2006. However, a lack of access to credit lines of the international financial institutions and a lack of sufficient foreign direct investment continue to hamper the Provisional Institutions' ability to combat unemployment.

Governance

16. Progress continued in the area of governance at the central level. Initiatives of executive oversight by the Assembly of Kosovo increased, including more policy debates and regular questioning of ministers. Respect for the Assembly rules of procedure also increased. The Government continued to increase the capacity of human rights units, which are responsible for monitoring each ministry's compliance with applicable human rights law. The Ministry of Local Government Administration is preparing an administrative instruction to create similar units at the municipal level. However, municipal governance continued to face challenges. Political differences between the Democratic League of Kosovo and the breakaway Democratic League of Dardania had negative consequences in some regions of Kosovo, where municipal assemblies have become dysfunctional and the appointment of senior civil servants has been delayed.

17. The commitment of the Provisional Institutions to continue with the implementation of property legislation, particularly for the few remaining cases, which are the most difficult to resolve, was significantly questioned when they failed to implement decisions on a number of contentious cases challenged by some recalcitrant municipal authorities. In response, my Special Representative issued an executive decision on 2 August that temporarily suspended the implementation of Housing and Property Claims Commission adjudications in order to highlight the breakdown of support by the Provisional Institutions for the implementation of approximately 350 outstanding cases. Following sustained engagement by my Special Representative and the representatives of the international community on this issue, the Provisional Institutions eventually moved to enforce the remainder of the Commission's decisions, and the executive decision was rescinded on 8 August.

18. During the reporting period, the Independent Media Commission approved several pieces of secondary legislation, including an advertising code and regulations on cable broadcasting in Kosovo. There was notable progress in the development of minority media; the Commission licensed a new radio station to broadcast entirely in the Romani language. On 26 June, the Press Council of Kosovo discussed breaches by *Infopress*, a local newspaper, of the Council's code of conduct. The breaches were due to the publication of the names of Kosovo Serbs from Lipjan/Lipljan, who the newspaper alleged served with the Yugoslav Army in Kosovo. The issue caused a crisis within the Press Council of Kosovo and its activities were temporarily blocked. The newspaper continued to publish controversial articles throughout July and August despite heavy international criticism. The OSCE-led institution-building pillar of UNMIK continued to mediate between Press Council members on this issue.

Cultural and religious heritage

19. After a five-month hiatus, the Reconstruction Implementation Commission resumed its activities in July following the appointment of a new representative from the Serbian Institute for the Protection of Monuments. The Provisional Institutions, together with the European Union's International Civilian Office Preparatory Team, brought forward preparations for the possible implementation of the provisions on religious and cultural heritage contained in the settlement proposal. A working group of international and local stakeholders met regularly to

prepare legislative, security and other arrangements outlined in the settlement proposal. There was also progress in drafting legislation for the special protective zones and related protective measures. During the reporting period, a total of 19 incidents against heritage sites were recorded by the Kosovo Police Service. With the exception of the destruction of the Ottoman Turkish Bajraktar Turbe shrines in Obiliq/Obilić in August by unknown perpetrators, other incidents were minor cases of theft and vandalism.

Returns

20. The number of members of minority groups returning voluntarily to Kosovo continued to be low. Out of a total of 1,018 individuals who had returned in 2007 as at 31 July, 37.9 per cent are Kosovo Serb and 29.5 per cent are Roma. Although there are noticeable improvements in the conditions for return, such as greater acceptance of the returnees by the receiving communities and an increasing capacity of municipalities to directly implement components of return projects, the primary factors affecting returns continued to be lack of economic opportunity and inadequate funding for approved return projects, as well as persisting perceptions of insecurity.

21. Most of the functional responsibilities for voluntary return have been transferred to the Government, primarily the Ministry of Communities and Returns. However, UNMIK continues to provide assistance and guidance to the Ministry as appropriate. During the reporting period, the Ministry continued to face the challenge of managing organized return projects in a more transparent and professional manner, while maintaining fiscal discipline.

22. During 2007, six projects to support the organized return of 140 families, with a total budget of €3.7 million, have been launched. The Ministry of Communities and Returns, in consultation with the international community, has approved 47 community development and stabilization projects worth €2.1 million to facilitate the equitable integration of all communities and their members currently residing in Kosovo. With the return of 75 Kosovo Serb families in June, a return project in the town of Babush i Serbëve/Srpski Babuš at a cost of €2.3 million was formally handed over to the municipality of Ferizaj/Uroševac (Gjilan/Gnjilane region) on 9 August.

Future international arrangements and transition

23. Discussions with international and local partners on preparing the transition of responsibilities to successor authorities in Kosovo continued within the framework of the transition working group structure. Close collaboration and joint planning with all stakeholders remain necessary to prepare for a successful transition following the determination of Kosovo's future status. This work is being conducted without prejudgement of the outcome of the ongoing period of engagement of the Kosovo future status process. In the light of the new phase of negotiations, UNMIK has undertaken to reconfigure its presence to ensure that it can more efficiently implement its mandate under resolution 1244 (1999). This reconfiguration consists of building further capacity of institutions in Kosovo and increasing the functional involvement of the Provisional Institutions in various areas, in line with long-

standing policy on the transfer of responsibilities and in accordance with resolution 1244 (1999). UNMIK will continue to monitor and mentor the Provisional Institutions, protect minority rights and directly exercise ultimate executive authority in certain areas.

Observations

24. I welcome the steady progress made by Provisional Institutions of Kosovo in the implementation of standards. In particular, I am encouraged by the continued emphasis on moving Kosovo along the path towards integration with the European Union, given the crucial role that the European Union continues to play in Kosovo and the region.

25. Following the deliberations on Kosovo in the Security Council, I welcome the Contact Group's initiative to launch a 120-day period of engagement between the parties, led by the Troika. I also welcome the commitment demonstrated by the Provisional Institutions to take part in the period of engagement in good faith and in a constructive manner.

26. The United Nations takes these negotiations seriously and expects that the parties and the Troika will do their utmost to reach an agreement that could be endorsed by the Security Council. No effort should be spared to reach an acceptable solution to the question of the status of Kosovo in accordance with the guiding principles of the Contact Group.

27. During the negotiation period, the parties need to engage in constructive and genuine discussions. The sides should be encouraged to make concrete and realistic proposals and be given ample opportunities to do so. I also encourage the Troika to develop ideas with the aim of enabling the parties to reach agreement. The United Nations will continue to provide assistance to the process as required.

28. UNMIK has largely achieved what is achievable under resolution 1244 (1999). At this stage, further progress depends on a timely resolution of the future status of Kosovo. A further prolongation of the future-status process puts at risk the achievements of the United Nations in Kosovo since June of 1999.

29. Given the substantial gap between the parties on the question of the status of Kosovo, consideration should be given to how to deal with the situation if the sides are unable to reach agreement by the end of the current period of engagement. Momentum in the process to resolve the status of Kosovo must be maintained until closure is reached. Otherwise, there is a real risk of progress beginning to unravel and of instability in Kosovo and the region.

30. I am encouraged by the Unity Team's substantial commitment to the settlement proposal, which I continue to fully support and regard as a fair and balanced proposal. I consider that the provisions in the settlement proposal relating to minority protection are key to ensuring that the Kosovo Serbs and other minorities have a meaningful future in Kosovo.

31. In the light of the upcoming elections at the central and municipal level, I call on Kosovo Serbs to participate fully in the democratic process. The

emergence of new Kosovo Serb political parties willing to participate fully in the political process is an encouraging sign. I urge the authorities in Belgrade to be constructive in securing the participation of Kosovo Serbs in the elections. Only through participatory politics can they ensure that their rights and interests are protected.

32. I would like to express my appreciation and gratitude to my Special Representative, Joachim Rücker, and to his staff in UNMIK for their steadfast efforts and commitment to move Kosovo forward. I would also like to extend my thanks to the partners of the United Nations — the Kosovo Force, the European Union and OSCE — as well as to the United Nations agencies, funds and programmes and other contributors for their support.

Annex I

Technical assessment of progress in the implementation of the standards for Kosovo

Prepared by the Special Representative of the Secretary-General for Kosovo, 5 September 2007

1. The status discussions continued to dominate the reporting period. Standards implementation within the framework of the European Partnership for Kosovo also continued, with the Agency for European Integration in the lead.

Functioning democratic institutions

2. The Assembly of Kosovo adhered to its rules of procedure during the reporting period. Three major legislative initiatives, the draft law on the rights and duties of deputies, the draft law on the ombudsperson and the draft law on parliamentary inquiry, were launched.

3. The Assembly Committee on the Rights and Interests of the Communities did not propose, review or accept any amendments to the legislation. The Committee did, however, increase its outreach activities by conducting several field visits to minority communities in Ferizaj/Uroševac, Dragash/Dragaš and Gjakovë/Đakovica.

4. As the major political parties are now more focused on positioning themselves for the electoral campaign, the earlier disagreements following the division of the Democratic League of Kosovo and the establishment of the Democratic League of Dardania over the division of posts in the municipal administration have subsided.

5. A new Kosovo Serb political party, the New Democracy Party, was registered as the ninth Kosovo Serb political party. There are now a total of 43 political parties registered in Kosovo. On 17 August, the certification of political entities and their candidates for the forthcoming elections began, and the Central Election Commission adopted the rules for the certification. Election regulations were promulgated on 29 August and foresee an open list, proportional representation, the direct election of mayors, at least 30 per cent of seats reserved for women, a 5 per cent threshold for political parties and a new composition of the Commission. A letter of invitation was sent to the Council of Europe requesting that it again send an election observation mission to Kosovo. On 31 August, the Special Representative and the Unity Team agreed that elections to the Assembly of Kosovo and municipal assemblies would be held on 17 November.

6. According to the Government's latest statistics, the number of civil servants increased to 72,357, whereby minorities represent 11.5 per cent of the total. The number of Kosovo Serb civil servants who requested to be reinstated on the payroll of the Provisional Institutions increased from 200 to 318. The salaries of all others who have left the payroll continue to be held in trust.

7. Overall compliance with the fair-share financing requirements in the second quarter of 2007 was 13.6 per cent, which is above the overall quota of 12.5 per cent. However, only 9 of the 27 municipalities with fair-share financing requirements reached their individual targets compared with 16 for the same period last year. The Department of Civil Administration of the United Nations Interim Administration

Mission in Kosovo (UNMIK) began transferring competencies for qualitative compliance with fair-share financing requirements to the Ministry of Communities and Returns, which will ensure compliance through municipal community offices.

8. Women constitute 34 per cent of the civil service, a slight decrease from the previous reporting period. On 23 June, the Government approved the draft Kosovo programme of gender equality and appointed an expert group to work on its implementation. On 5 July, a new regulation on the organization and internal functioning of the Agency for Gender Equality came into force. Twelve municipalities have drafted strategies to improve the representation of women in the civil service, but only two (Prizren and Gllogoc/Glogovac) have funds to implement them. The number of women at senior levels remains low. The newly promulgated election regulations provide for women to constitute at least 30 per cent of the candidates of each party and 30 per cent of the elected representatives.

9. The Anti-Corruption Agency completed the collection of declarations of assets from all senior public officials, which are currently being processed. In September, the Agency launched its second media campaign to promote its toll-free number and its new web page.

10. Secondary legislation to implement the law on the use of languages was adopted, including the administrative instruction on the Language Commission. Inadequate participation and representation of all linguistic communities in the Commission remains a concern. During the reporting period, the Assembly of Gjilan/Gnjilane approved a decision recognizing Turkish as an official language; Dragash/Dragaš and Pejë/Peć recognize Bosnian as the official language but adopted no regulation in that regard.

11. A majority of municipalities have language units or have hired translators, but most lack competent staff. Equipment for simultaneous interpretation is available and functional in 19 municipalities, whereas in 7 it is either not functional or not used. Documents are available in Serbian, but with significant delays and mistakes. There are difficulties in obtaining documents in Turkish in municipalities where it is an official language. Language compliance is minimal in Kosovo Serb majority northern municipalities (Zvečan/Zveçan, Zubin Potok and Leposavić/Leposaviq).

12. Out of 116 licensed broadcasters, the number that broadcast in minority languages is 45 (35 in Serbian, 4 in Bosnian, 3 in Turkish, 2 in Gorani and 1 in Romani).

13. On 3 August, the Kosovo Energy Corporation (KEK) decided to terminate the service contract to collect the public broadcast fee for Radio Television of Kosovo (RTK) along with electricity bills. The six-month notice period might be too short for RTK to find an alternative collection mechanism.

14. Since 30 May, the Kosovo newspaper, *Infopress*, has been publishing lists of Kosovo Serbs who were allegedly drafted into the Yugoslav army during the 1998-1999 conflict. The Press Council of Kosovo took up the issue. However, diverging opinions on the publications resulted in an internal crisis of the Council, which is being resolved with the assistance of the Organization for Security and Cooperation in Europe.

Challenges ahead

15. The Kosovo Assembly should finalize the recruitment of a new Ombudsperson.

16. The administrative instruction on the composition and competences of the Language Commission needs to be revised to ensure adequate minority participation.

17. Publication of the Official Gazette is still deficient. In the August issue, amendments promulgated by UNMIK were not fully incorporated into the legal texts. The Office of the Official Gazette should ensure public access to complete legal texts as required under international standards and should make corrections accordingly.

18. Additional efforts are needed to empower existing gender structures by involving them in meetings, decision-making and selection of personnel.

19. All Kosovo ministries now have functioning human rights units, but their overall coordination needs to be improved. Structures identified to implement the anti-discrimination law have not yet been operationalized.

20. The capacity of the Ministry of Communities and Returns to monitor and advocate for qualitative compliance with fair-share financing requirements and to intensify cooperation between the Ministry of Communities and Returns and the Ministry of Finance and Economy needs to be strengthened.

21. RTK needs a new, sustainable and sound licence fee collection mechanism. The second round of awarding grants to minority and vulnerable media is still pending.

22. The Press Council of Kosovo needs to be restructured in order to better prepare the institution for future operations.

Rule of law

23. On 29 June, the international prosecutor appointed by the Special Representative to investigate the deaths and serious wounding of protesters during the 10 February Vetëvendosje demonstration submitted his second report. The report focused on the use-of-force standards of the police-contributing countries, the use of obsolete ammunition, the operational orders issued, the lack of clarity in the chain of command, the lack of operational supervision during the protest and the ambiguity surrounding the authorization to deploy rubber bullets, and recommended a thorough review of the use of rubber bullets in United Nations peacekeeping missions. The Police Commissioner subsequently banned the use of rubber bullets in Kosovo. The Department of Peacekeeping Operations temporarily suspended the use of rubber bullets in all peacekeeping missions worldwide pending the outcome of the review.

24. Crime clearance rates, the comparative number of cases in which a suspect is identified after an investigation, for crimes against all communities remained comparable during the reporting period.

25. The Legal Aid Commission, an independent body responsible for the provision of free legal assistance, was established in July, and the recruitment of staff is under way. This will be the first State-funded legal aid agency in the Balkans.

26. On 15 June, two Kosovo Albanians were convicted of criminal conduct during the March 2004 riots in Prizren. This conviction raised the number of defendants

convicted as part of the March 2004 riots to 28 in 14 cases handled by international prosecutors. A total of 11 defendants received prison sentences, 1 juvenile was sent to an educational correctional facility, 16 received suspended sentences and 1 was acquitted. Of those convicted, 4 cases involving 10 defendants are currently under appeal. The verdicts against the remaining 19 defendants are final. Another seven defendants in two cases are on or awaiting trial. Local prosecutors have brought more than 300 criminal charges, resulting in 134 convictions. Several more cases are under investigation.

27. Minority representation of judges and prosecutors is 11.3 per cent (4.9 per cent Kosovo Serbs) and 7.3 per cent (3.6 per cent Kosovo Serbs), respectively. Women's representation is 26.2 per cent for judges and 20.7 per cent for prosecutors. Minority representation of court staff is 11.7 per cent (7.8 per cent Kosovo Serbs), while female representation stands at 42 per cent.

28. Among the Kosovo Judicial Council staff, 6.4 per cent belong to an ethnic minority (1.6 per cent Kosovo Serbs) and 31.2 per cent are women.

29. Minority representation within the Kosovo Police Service dropped to 14.3 per cent (9.5 per cent Kosovo Serbs) but remained constant within the Kosovo Correctional Service at 14 per cent (10.3 Kosovo Serbs). Female representation stands at 14.9 per cent for the Police Service and 17.5 per cent for the Correctional Service.

30. Efforts to increase the representation of Kosovo Serbs and other minorities in the Ministry of Internal Affairs are ongoing. The Deputy Minister, a Kosovo Serb, is leading an outreach programme. In addition to using local radio stations in Graçanicë/Gračanica and Çagllavicë/Čaglavica, vacancies in the Ministry were also announced on TV Herc (Štrpce/Shtërpcë), which covers 70-80 per cent of Kosovo, as well as the daily newspaper *Jedinstvo*, published in Zvečan/Zveçan.

31. Efforts to strengthen existing witness protection mechanisms are ongoing; a task force has been established with a mandate to review all aspects of the witness protection programme in Kosovo. On 17 July, an international prosecutor filed an indictment against two Kosovo Albanians suspected of murdering a witness to war crimes and the attempted murder of another witness in the same case.

32. In July, a police substation was established in Pozharan/Požaranje, Viti/Vitina municipality, raising the number of substations to 19. Sites were identified for the establishment of additional four substations.

Challenges ahead

33. Transfer of responsibility for missing persons and forensics should continue.

34. The judicial system suffers from inadequate resources, and this has a negative impact on the motivation of judges as well as on the recruitment process. In an attempt to help insulate judges from outside pressure and to attract more qualified individuals, the Kosovo Judicial Council has recently submitted a budget that would allow for an increase in judges' salaries.

35. The law on courts should be finalized.

Freedom of movement

36. The police continue to assess the security situation as stable but fragile. No crimes related to freedom of movement were reported to the police during the assessment period. Nevertheless, some members of all communities continue to remain largely within or to travel between areas where they are in the majority.

37. The humanitarian bus service and Kosovo Rail carry up to 28,500 and 32,000 passengers, respectively per month. Services function well, and passengers remain satisfied with their quality, although buses are sometimes overcrowded and could run more frequently.

38. A commercial bus service connecting Gračanica/Graçanicë to Kosovo Serb villages in the north of Pristina was launched on 13 June with the support of the municipality.

39. Thirty-two football teams participated in a multi-ethnic tournament in the Bosniak-inhabited village of Reçan/Rečane on 6 August. Traditional Catholic ceremonies in honour of the "Black Virgin" of Letnicë/Letnica, Viti/Vitina, were held from 14 to 16 August, with over 20,000 people participating.

Challenges ahead

40. The Humanitarian Transport Technical Advisory Committee should establish a protocol for extending the existing routes and timetables for humanitarian transport.

41. The Ministry of Transport and Communications needs to include provisions for new humanitarian transport routes in its 2008 budget submission.

Sustainable returns and the rights of communities and their members

42. Municipalities continue to increase their ownership of activities related to returns. The Klinë/Klina municipality assisted Kosovo Serb urban returnees on the path to economic sustainability by facilitating the sale of 43 tons of wheat they had harvested using machinery borrowed from their Kosovo Albanian neighbours in Zllakuqan/Zlokućane. On 9 August, the Srpski Babuš/Babush return programme was handed over to the Ferizaj/Uroševac municipality, which will continue with reintegration activities.

43. Despite some controversial statements by the Klinë/Klina Municipal Assembly President, the Klinë/Klina and Ferizaj/Uroševac municipalities are emerging as successful examples of municipal support for the return process. As a result, other municipalities have started to learn from their experience. In July, representatives of the Ferizaj/Uroševac and Shtërpce/Štrpce municipalities and a group of Kosovo Serb internally displaced persons visited Klinë/Klina and held discussions with the municipal returns officer and the Kosovo Serb urban returnee representatives.

44. The Ministry of Communities and Returns continues to make progress in the area of financial management, but additional efforts are needed to expedite the process. The Ministry is also increasingly becoming engaged in project management and implementation as well as policy-related matters, but the lack of technical expertise still hampers the delivery of timely results.

45. Twenty-two municipalities have developed and endorsed 2007 municipal return strategies and another four have prepared such strategies, which are pending endorsement. However, the implementation of the strategies remains unsatisfactory, mainly because of the lack of financial resources.

46. The lack of funding remains the most important obstacle to returns, with the current gap standing at €16.5 million for 21 organized return projects. The lack of financial resources is discouraging municipalities and internally displaced persons from engaging in new dialogue on returns and project development.

47. For 2007, the Ministry of Communities and Returns has allocated €2.6 million and €520,000 for organized and individual returns, respectively. An additional €2.1 million was allocated to 47 community development and stabilization projects, to be implemented primarily by municipalities. However, the implementation of the projects is behind schedule, with only 28 of the 47 projects under implementation.

48. Two new organized returns projects were launched, in Lismir/Dobri Dub and Nakaradë/e (Fushë Kosovë/Kosovo Polje) and in Klinafc/Klinavac (Klinë/Klina), for a total of 45 Kosovo Serb returnees. Both projects are funded by the Ministry of Communities and Returns and will be either fully or partially implemented by the municipalities.

49. A total of 75 Kosovo Serb families (103 individuals) returned to Srpski Babuš/Babush i Serbëve; 78 Roma, Ashkali and Egyptian families (329 individuals) have returned to the Roma Mahala district (Mitrovicë/Mitrovica) to date, and another 24 families will soon return to two apartment buildings, which were completed on 24 August. Mitrovicë/Mitrovica is in the process of taking over the coordination of the project, which was previously managed by UNMIK, and will have to implement the reintegration part of the project.

50. The "localization process" led by the Office of the United Nations High Commissioner for Refugees (UNHCR) continued, aimed at strengthening the capacity of the Provisional Institutions to implement projects oriented towards returns and durable solutions, particularly at the municipal level. UNHCR conducted protection training in all Kosovo municipalities and established joint municipal teams (UNHCR and municipal structures) for protection and assistance assessments of spontaneous voluntary returnees. The Ministry of Communities and Returns has appointed a returns information coordinator, who will work with UNHCR on returnee registration and the long-delayed database.

51. Mechanisms to ensure better information-sharing on returns, envisaged by the letter of intent agreed in 2006 between the Ministry of Local Government Administration and the Ministry of Communities and Returns function well. Five meetings of municipal returns and community officers were organized, with the latest held on 27 June.

52. Kosovo political leaders and senior public officials continue with their outreach activities and frequently visit communities and return sites.

Challenges ahead

53. At €5.2 million, the 2007 budget allocation for return projects is the lowest Kosovo consolidated budget contribution for returns to date and needs to be revised upward in 2008.

54. The Ministry of Communities and Returns needs to accelerate the disbursement of funds for community development and stabilization projects.

55. The Ministry also needs to improve its technical and financial expertise and take greater advantage of the capacity-building projects offered by the United Nations Development Programme and the European Agency for Reconstruction.

56. The return to Roma Mahala project is becoming the biggest such project in Kosovo. The municipality is taking over its coordination, but greater involvement by central institutions is needed. With many reintegration components remaining to be implemented and insufficient funding available, the Government needs to allocate additional funds to the project.

57. The Government should enhance inter-ministerial coordination structures. Municipal authorities should ensure adequate participation of internally displaced persons in all activities related to returns.

Economy

58. The Office of the Auditor-General published a number of audit reports, including for the Assembly of Kosovo, the Kosovo President's Office and the Kosovo Police Service, all for 2006. Audits demonstrated problems with financial management in those organizations, including those concerning public procurement procedures.

59. The mid-year review of the 2007 budget started in July 2007. Some funds will be reallocated between budget organizations, but the overall budget ceiling is expected to remain unchanged. Data from the Ministry of Finance and Economy treasury show that for the first half of 2007, budget execution was slow, with only 37 per cent of the authorized annual expenditure having been spent, largely because of underspending on capital projects.

60. After failing to produce an adequate Kosovo development strategy and plan on time early in 2007, the Government decided to focus on the preparation of a new medium-term expenditure framework for the period 2008-2010. The second draft of the first volume of the framework was produced in mid-August, and the second draft of the second volume is anticipated in September. The document was revised in response to comments from the European Commission and the World Bank. Apart from a few minor remaining revisions, the framework is ready for the technical donor event expected to be held in early October.

61. The Ministry of Finance and Economy blocked the budget lines of all organizations owing more than €1,000 to KEK. The billing rate for water services in Kosovo in the period from January to June 2007 was approximately 40 per cent, of which 57 per cent was collected. In July, KEK collected 86 per cent of the amount billed, or around €8.7 million, an increase of 29 per cent over July 2006, when €6.7 million was collected. Theft and illicit connections have been reduced to around 15 per cent of load.

62. Efficiency in the Tax Administration of Kosovo (TAK) improved. As at the end of August, TAK had collected €115 million. While €122 million was collected during the same period of 2006, that amount included extra revenue resulting from the audit of one large taxpayer, which paid €21.5 million to TAK in June 2006. The

improved collection is the result of increased collection of corporate income tax and an increase in revenue from enforced collection measures such as liens and seizures. Property tax collected from municipalities also increased by 60 per cent.

63. Twenty-eight waves of privatization have been launched to date. As at the end of July, 524 new companies derived from the assets of 307 socially owned enterprises had been tendered for sale. A total of 303 sales contracts had been signed, with an additional 132 pending signature. The total privatization proceeds amount to €327,592,614. The Kosovo Trust Agency Board approved 97 liquidations. The estimated value of signed liquidation sales contracts amounts to €2,036,837, and those pending are valued at €3,457,877. Twenty per cent of the privatization proceeds, which are due to be paid out to the eligible former workers of privatized enterprises, totals €65,518,523, of which €14,293,060 has already been paid to the Independent Union of Trade Unions of Kosovo, which disburses the funds to the workers.

Challenges ahead

64. While the Ministry of Finance and Economy treasury system is transparent and well-functioning, financial management at the level of the line ministries and other spending organizations needs to improve, in particular through the implementation of the recommendations of the Auditor-General.

65. Further progress is needed in billing for public utilities and revenue collection.

66. The Provisional Institutions and the Assembly of Kosovo should propose an adequate candidate to the Special Representative of the Secretary-General in order to fully staff the Central Banking Authority of Kosovo Board.

Property rights

67. A total of 266 Housing and Property Claims Commission decisions still need to be implemented, out of 29,160 adjudicated cases.

68. The Kosovo authorities encountered difficulties in the implementation of some of the decisions of the Commission. In the municipality of Klinë/Klina, local authorities opposed the eviction of premises used by the municipality as a youth centre, alleging that the successful claimant used forged documents. In another case the Kosovo Police Service refused to provide assistance to the Kosovo Property Agency in evicting a high-level municipal official. Consequently, on 2 August, UNMIK issued an executive decision temporarily suspending the implementation of decisions of the Commission until the necessary unity among all stakeholders was re-established. The decision was repealed on 8 August after the Provisional Institutions reaffirmed their commitment to implement all decisions, including the most difficult ones.

69. Implementation of the rental scheme led by the Kosovo Property Agency continues: 2,681 holders of property rights have included their property in the scheme; 487 occupants are currently paying rent; 187 evictions were carried out; and a total of €209,315 in rent was collected.

70. The Kosovo Property Agency received 26,538 claims covering agricultural, commercial and residential properties. The Kosovo Property Claims Commission started reviewing the claims and issued its first decision on 12 July.

71. Of 24 alleged fraudulent property transactions under review by the UNMIK Department of Justice, two cases were dismissed by the international prosecutor and 22 investigations are still ongoing.

72. In order to address the judicial backlog of property-related cases, the Ministry of Justice initiated a series of meetings with the President of the Supreme Court of Kosovo on court processing of property claims, including claims for damages against the Kosovo Force and UNMIK. Municipal courts started issuing decisions rejecting their jurisdiction in those matters and referring the claims to the Kosovo Property Agency. The President of the Supreme Court promised to review one case and issue a Supreme Court opinion on the topic to serve as guidance for municipal and district courts.

Challenges ahead

73. As the post has been vacant for four months, the Ministry of Environment and Spatial Planning needs to appoint a new coordinator to ensure better coordination of the implementation of the standards.

74. The draft law on sales of apartments and tenure rights will have to be amended in order to conform to legislation related to the Kosovo Trust Agency and the Kosovo Property Agency. The draft law on housing and the draft law on the treatment of illegal construction are still awaiting adoption by the Assembly.

75. Concerns remain over the proper implementation of expropriations by Kosovo institutions, the protection of individual property rights and the proper implementation of demolitions. A new instance of demolition of property belonging to internally displaced persons occurred in Klinë/Klina municipality without the lawful holders of property rights having been informed or given adequate compensation.

76. The Kosovo spatial plan needs to be adopted and promulgated. Only one municipal development plan has been adopted and no spatial plan for special areas has been completed. Illegal construction and uncontrolled urbanization projects remain widespread.

77. A Kosovo action plan on informal settlements needs to be drafted and implemented.

78. The strategy to reduce the judicial property backlog needs to be implemented.

79. The cadastral reconstruction project enjoys the support of foreign donors, but institutional and legal steps have to be taken to ensure further progress, including in regard to the registration of apartments.

Cultural heritage

80. On 19 June, a delegation from Pristina comprising representatives of UNMIK and the Council of Europe, and the Chairwoman of the Reconstruction Implementation Commission met with the newly appointed Minister of Culture in

Belgrade, who promised full cooperation from the Ministry and immediately nominated a new Serbian representative to the Commission.

81. The Reconstruction Implementation Commission met on 21 June and resumed its activities in July after a five-month hiatus. Two formal meetings of the Commission were held in July and August, with the participation of the newly appointed Serbian representative. On 20 August, work commenced on four sites: the Church of Saint Andrew in Podujevë/Podujevo; the Monastery of St. Joanikije at Devič-Skenderaj/Srbica; the Church of Saints Peter and Paul in Istog/Istok; and the Church of the Holy Virgin Ljeviška in Prizren. Tenders were reviewed for four other sites. While this is an encouraging development, the process remains fragile and will require the active engagement of all stakeholders.

82. The Reconstruction Implementation Commission requested a budget of €1.8 million for 2007-2008 within the budget review framework. The Ministry of Culture, Youth and Sports requested €50,000 from the Government to implement additional security measures for 15 Orthodox sites considered particularly vulnerable by the Serbian Orthodox Church. The measures will include 24-hour guards and/or electronic surveillance.

83. During the reporting period, a total of 20 incidents targeting cultural heritage sites were recorded by the Kosovo Police Service. A major incident was the wanton destruction of the Bajraktar Turbe shrines in Obiliq/Obilić in August; other incidents include minor cases of theft, vandalism, arson and accidental fire, as well as unexploded ordnance found in an Orthodox Church compound. Five persons were arrested in three cases. Other cases remain under investigation.

84. The biannual Serbian Orthodox Church Assembly of Bishops, which concluded in Belgrade on 25 May, reaffirmed its continued commitment to the Reconstruction Implementation Commission process and cooperation with the Council of Europe.

Challenges ahead

85. The Reconstruction Implementation Commission will need continued support from all stakeholders in order to conclude its undertaking by the end of 2008 as envisaged.

86. Seven subsidiary laws necessary for the implementation of the law on cultural heritage should be drafted and passed as soon as possible. A non-discriminatory policy for the allocation of funding for cultural heritage protection should be defined in subsidiary legislation. The Ministry of Culture, Youth and Sports and the Assembly Commission on Culture should coordinate and establish a Kosovo Council on Cultural Heritage.

87. The Provisional Institutions should continue to work on ways to ensure adequate protection of cultural heritage sites.

88. The Belgrade-Pristina cultural dialogue should be re-energized, particularly at the level of the ministers and cultural coordinators.

Dialogue

89. On 29 June, the working group on missing persons convened a plenary session in Pristina. Since the group began its work three years ago, more than 1,000 missing

persons cases were resolved, 240 of them in 2007. The consolidated list of missing persons now stands at 2,047.

90. The technical sub-working group of the working group on returns continues to meet regularly under the chairmanship of UNHCR. The meetings in June and July 2007 identified three return projects (Klinavac/Klinafc, Belo Polje/Bellopojë and Dragoljevac/Dragolec, and Berkovo/Berkovë) that both delegations consider priorities. A joint support letter to the donor community is pending finalization. The delegations agreed to prepare criteria for the prioritization of projects. The lack of progress on the allocation of land for the Novi Badovac/Badoc i Ri project has been raised and requires follow-up.

Challenges ahead

91. Efforts should be made to re-energize the returns, energy, and transport and communications working groups, the latter two of which have been dormant all year.

92. Commitment by authorities at all levels and greater involvement of representatives of associations of families in the missing persons working group is needed to achieve further progress.

Kosovo Protection Corps

93. Minority representation within the Kosovo Protection Corps (KPC) has remained broadly static throughout the reporting period. Of 2,914 active members, 6.8 per cent are from minority communities, of whom 1.4 per cent are Kosovo Serbs.

94. Women continue to be represented at all levels of KPC, although the total number is relatively small, at 3.0 per cent.

95. Despite ongoing improvement in disciplinary compliance, enhancements in staffing and investigation of disciplinary cases continue to be required. The Disciplinary Board has sat twice during the reporting period and dealt with six cases, which resulted in two dismissals.

96. KPC is focused on developing and maintaining the operational capability necessary to allow it to undertake its mandate. Ethnic minority outreach efforts and humanitarian projects remain ongoing.

97. KPC demining capability has increased significantly over the reporting period with the addition of mine detection dog teams, funded by the United States of America, as well as an ongoing training programme to license teams to deal with larger-sized munitions. An independent assessment of KPC demining capability was carried out in July by the Geneva International Centre for Humanitarian Demining, which concluded that KPC teams had the requisite capacity and capability to address the remaining contamination within Kosovo.

98. Civil protection capabilities were fully tested during recent and widespread forest fires. Since 1 July, KPC has responded to more than 70 separate incidents across Kosovo, utilizing more than 600 people and 50 vehicles. KPC also quickly responded to a request from the Provisional Institutions and provided 24-hour liaison with the National Situation Centre, which provided overall coordination of

the national firefighting effort. The reserve was also activated, which proved to be a beneficial exercise, even if in the end it was not required for this event. A lessons-learned package will be prepared for future contingency planning.

Challenges ahead

99. Despite positive personnel policies, active engagement among Kosovo Serb communities and no internal evidence of discrimination, KPC still has difficulty in retaining Kosovo Serbs and gaining support from that community.

100. Uncertainties over the future of both Kosovo and KPC have the potential to affect the morale of its members. Every effort, therefore, must be made to reinvigorate and increase engagement with KPC through training programmes and involvement in humanitarian projects, which are also aimed at increasing the public profile of KPC. It is important that the expectations for KPC be carefully managed, particularly concerning sensitive issues such as the proposed early pension law. KPC senior commanders should be involved in as much of the planning process as possible to give them a sense of ownership over their future.

Annex II

Police component of the United Nations Interim Administration Mission in Kosovo

(as at 31 August 2007)

Composition and strength of the police component of the United Nations Interim Administration Mission in Kosovo

Country	*Number*	*Country*	*Number*
Argentina	10	Nepal	17
Austria	22	Nigeria	20
Bangladesh	41	Norway	14
Brazil	2	Pakistan	176
Bulgaria	50	Philippines	38
China	18	Poland	122
Croatia	9	Portugal	4
Czech Republic	18	Romania	198
Denmark	24	Russian Federation	36
Egypt	16	Slovenia	15
Finland	10	Spain	15
France	46	Sweden	36
Germany	147	Switzerland	8
Ghana	49	Timor-Leste	2
Greece	9	Turkey	85
Hungary	15	Uganda	4
India	88	Ukraine	189
Italy	31	United Kingdom of Great Britain and Northern Ireland	63
Jordan	68	United States of America	216
Kenya	15	Zambia	10
Kyrgyzstan	9	Zimbabwe	18
Lithuania	6		
Malawi	4		
Total			**1 993**

Composition of the Kosovo Police Service

(as at 31 August 2007)

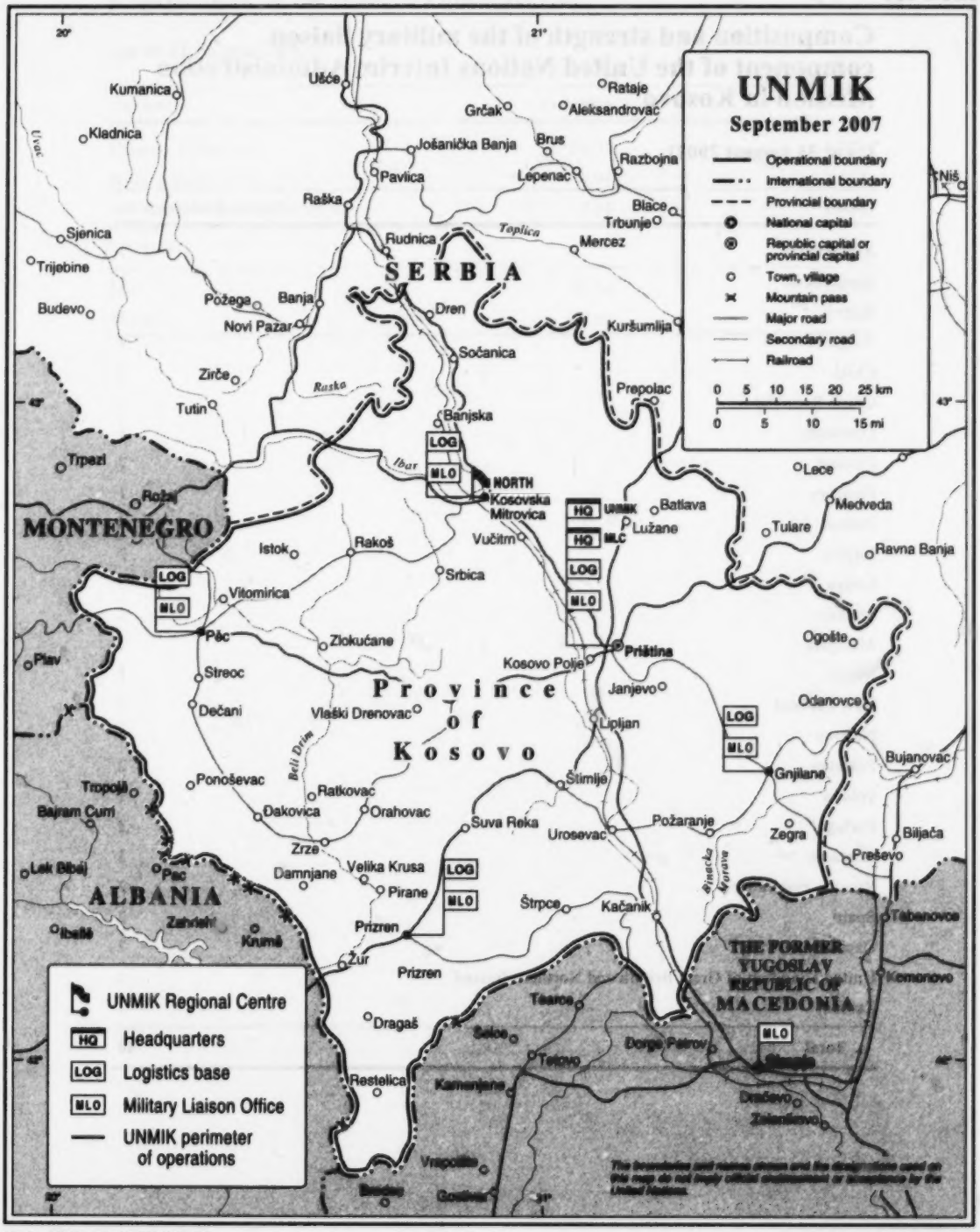
Category	*Percentage*	*Number*
Kosovo Albanians	84.31	6 070
Kosovo Serbs	10.04	723
Other ethnic minority members	5.65	407
Total		**7 200**
Men	86.36	6 218
Women	13.64	982

Annex III

Composition and strength of the military liaison component of the United Nations Interim Administration Mission in Kosovo

(as at 31 August 2007)

Country	*Number of liaison officers*
Argentina	1
Bangladesh	1
Bolivia	1
Bulgaria	1
Chile	1
Czech Republic	1
Denmark	1
Finland	2
Hungary	1
Ireland	4
Jordan	2
Kenya	3
Malawi	1
Malaysia	1
Nepal	1
New Zealand	1
Norway	1
Pakistan	2
Poland	1
Portugal	2
Romania	3
Russian Federation	2
Spain	2
Ukraine	2
United Kingdom of Great Britain and Northern Ireland	1
Zambia	1
Total	**40**



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